

A sign manufacturer does not incur Retailers' Occupation Tax liability if he produces the sign on the special order of a particular purchaser and if the sign has use or value only to such purchaser. See 86 Ill. Adm. Code 130.2155. (This is a GIL.)

May 31, 2005

Dear Xxxxx:

This letter is in response to your letter dated January 17, 2005, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

In accordance with instructions received from your office in Springfield, this letter is being submitted to inquire as to the nature of the sales tax liability incurred by a manufacturer of signs. At present, I have a client who is contemplating entering into the business of manufacturing nameplates for doors and windows. In all instances, the sign orders are special orders received from various companies. These companies would submit a list of employees and other signs which would be needed for their business operations. My client would then manufacture the signs and ship them to the customer. At no time does my client contemplate inventorying 'stock' signs since the business would be derived solely from job orders. Also, the cost of the materials used in the manufacture of the sign would be less than 30% of the total selling price.

I have come across an old Illinois Retailers Occupation Tax Rule (copy attached) which seems to indicate that no sales tax liability would exist on my client's behalf since all sales are done on a 'special order' and said signs have no commercial value other than to the purchaser. However, the rule does not cite a code section and your office could not answer the question with certainty.

In order that this business venture comply properly with determining its sales tax liability, please confirm that the rule concerning 'special orders' is still valid. Also, please provide information concerning what records should be kept concerning this matter.

Your prompt attention to this matter will be greatly appreciated since my client is anxious to make a final determination with regards to this business venture.

DEPARTMENT'S RESPONSE:

The Department's regulations found at 86 Ill. Adm. Code 130.2155 which is titled "Tax Liability of Sign Vendors" remains valid. As provided in this regulation, a sign manufacturer does not incur Retailers' Occupation Tax liability if he produces the sign on the special order of a particular purchaser and if the sign has use or value only to such purchaser. An example of this type of sign would be a sign produced on special order for a purchaser that spells out the name of the purchaser or the brand name of the purchaser's product.

However, the sign manufacturer would be subject to Service Occupation Tax liability. Please see 86 Ill. Adm. Code 140.101, which explains the rate and base for the Service Occupation Tax. In addition, you may wish to view the Department's general information letters such as ST-01-0022-GIL, which may be found on the Department's internet website under the heading of "Legal Research."

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
Associate Counsel

EEB:msk